



## MEMORANDUM

**DATE:** May 14, 2019

**TO:** USAID Bureau for Africa, Coordinator for Power Africa, Andrew M. Herscowitz

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Tony Blair Institute in East Africa Under Cooperative Agreement AID-623-A-14-00001, January 1, 2017, to December 31, 2017 (Report No. 4-698-19-065-R)

This memorandum transmits the final audit report on of USAID resources managed by Tony Blair Institute (TBI) in East Africa. TBI contracted with the independent certified public accounting firm Moore Stephens LLP, London, United Kingdom to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS except that the audit firm did not have external peer review and a continuing education programs that fully satisfy the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on TBI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate TBI's internal controls; (3) determine whether TBI complied with award terms and applicable laws and regulations; (4) determine whether cost-sharing/counterpart contributions were provided and accounted for by the recipient in accordance with the terms of the agreements; and (5) review the implementation status of prior period recommendations.

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<sup>1</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

To answer the audit objectives, Moore Stephens LLP (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by TBI as incurred from January 1, 2017, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to TBI's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) reviewed the cost sharing contribution; and (5) reviewed the implementation status of prior period recommendations. TBI reported expenditures of \$840,627 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$33,929 in total questioned costs (\$17,559 ineligible and \$16,370 unsupported). In addition, the audit firm reported two material weaknesses and one significant deficiency in internal control. However, all three deficiencies in internal control were reported in the prior period and are pending management decisions. As such, we will not make recommendations to address them. No instances of material noncompliance were reported.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated May 14, 2019.

To address the issues identified in the report, we recommend that Power Africa:

**Recommendation I.** Determine the allowability of \$33,929 in questioned costs (\$17,559 ineligible and \$16,370 unsupported) on pages 20 to 31 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).